

Getting Started

An introduction to deferred compensation

Control your future now!



Iowa

Retirement Investors' Club (RIC)

Looking forward to retirement!

Introduction

A variety of voluntary retirement savings plans are available to investors today.

As a public sector employee, you have the option to save through your employer's 457/401a plans.

401k

TSA

Roth IRA

IRA

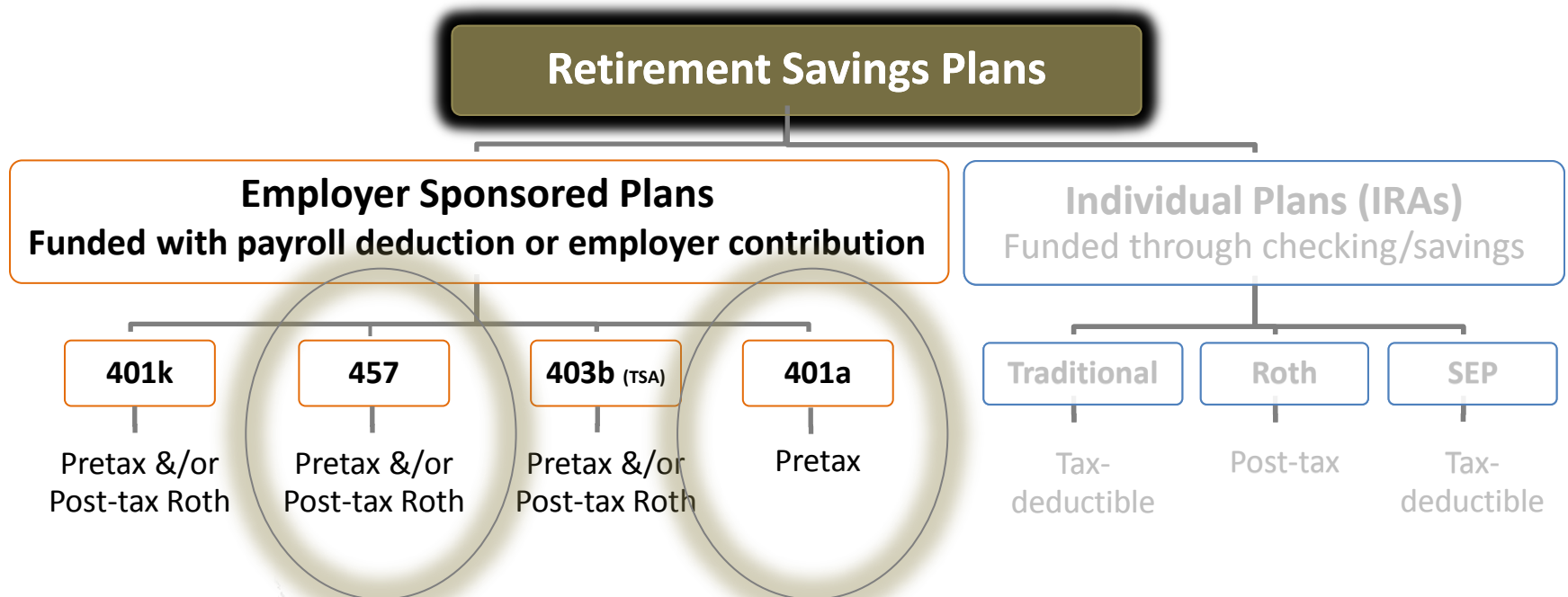
403B

401a

457

Introduction

The tax treatment of contributions, earnings, and distributions of all retirement savings plans are regulated by the IRS.



Introduction



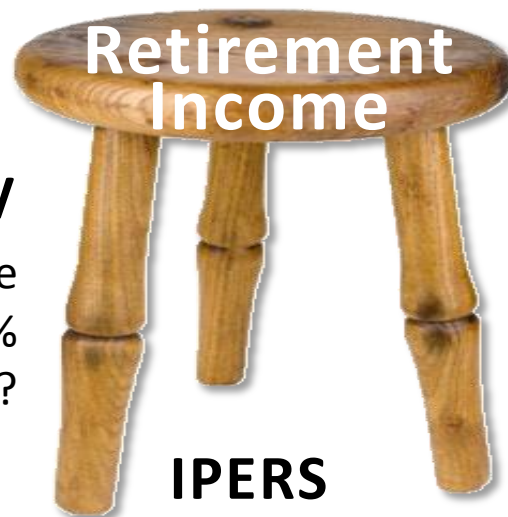
The Iowa Retirement Investors' Club (RIC) is the State's voluntary retirement savings benefit designed to **help you save a portion of your hard-earned wages today**, for a time in the future when you are ready to retire or unable to work.

Personal savings is a critical part of your retirement income.

There are 3 main sources of income in retirement.

Purpose

Sources of income in retirement



Retirement
Income

Social Security

What if SS is no longer able to fund at the intended 40% income replacement?

Personal Savings

You control this income source now and in the future. Planning and saving over the years will determine your benefit.

IPERS

What if you don't reach full benefit status?

No COLA!

Purpose

Think about it...

Supplemental retirement savings plans are



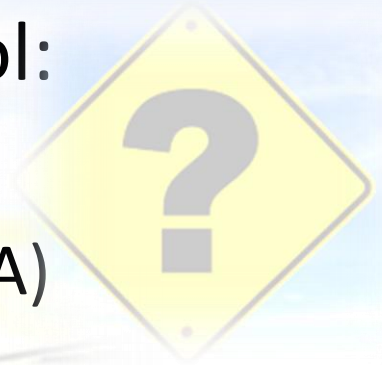
One part of your future you CAN control!



Purpose

Future uncertainties you CAN'T control:

- Social Security income replacement
- Pension income replacement (no COLA)
- Healthcare costs
- Inflation
- Taxes
- Health
- Employment
- Death



Purpose

You CAN control *how you prepare* to handle these things.

Supplemental retirement savings plans give you the opportunity to **personally and positively affect your options at retirement.**

Retirement income planning can seem overwhelming but *saving* for retirement doesn't have to be.

Benefits

Participants in the RIC 457/401a retirement savings plans enjoy:

- Convenience of automatic savings through payroll deduction
- Tax advantages
 - Pre & post-tax deductions
 - Tax-deferred/free earnings
 - Tax credit (must qualify)
- Competitive investments to take you to and through retirement at little to no cost
- Income at retirement



Now that you see
the basic purpose
and importance of
your retirement
savings plan, it's
time to take
control!



RIC participants enjoy control over

- Contributions/Roll-ins
- Investment mix
- Changes/Distributions
- Enrollment



Contributions



As a participant in the RIC 457/401a program, you choose to have a portion of your wages automatically **deducted from your paycheck** to save for future income needs.

Minimum: \$25/month.

Contributions



Deductions are deposited into your selection of RIC investments in a 457 account.

Deductions may be taken from:

- All paychecks (26),
- 1st & 2nd paychecks (24),
- 1 paycheck/month (12)

Deductions may be changed or stopped at anytime.

Contributions (limits)



The total of all contributions (pretax and/or post-tax) made to the 457 account in a tax year must not exceed the IRS annual maximum limits.

3-Year Catch-Up Limit: Must have missed contributions and be within 4 years of normal retirement.

IRS Annual Maximum Contribution Limits		2016
Regular	100% of compensation up to:	\$18,000
Age 50+	The regular limit + \$6,000:	\$24,000
3-Year Catch-up	Up to twice the regular limit	\$36,000

Retirees may choose to defer unused sick leave and vacation pay from their final paycheck.

Contributions (types)

Tax advantages differ depending on the taxation of deductions.



You have the choice to have your payroll deductions taken on a pretax and/or post-tax Roth basis.

Contributions (tax benefits)

Tax advantages differ depending on the taxation of deductions.



	Pretax	Post-tax Roth
Tax treatment of <i>deductions</i>	No withholding	Regular income tax withholding
Tax benefit in year saved	Immediate-lower taxable income	None
Tax treatment of <i>earnings</i>	Tax-deferred until withdrawn as cash	Tax-free for qualified distributions
Consideration	Possibility of lower tax rate in retirement	

Contributions (tax benefits)

Tax advantages differ depending on the taxation of deductions.



	Pretax	Post-tax Roth
Tax treatment of <i>deductions</i>	No withholding	Regular income tax withholding
Tax benefit in year saved	Immediate-lower taxable income	None
Tax treatment of <i>earnings</i>	Tax-deferred until withdrawn as cash	Tax-free for qualified distributions
Consideration	Possibility of lower tax rate in retirement	Possibility of higher tax rate in retirement

Contributions (tax benefits)

Which option is right for me?

A number of factors may influence what is right for you:



- Age/years to retirement
- Current tax rate/need for tax relief
- Projected tax rate at retirement
- Possibility of fewer tax deductions in retirement
- Projected earnings



Schedule a meeting with your financial advisor or tax professional if you have questions.

Contributions (tax benefits)

Roth 457 vs. Roth IRA

		Type of Roth	Funding Source	Income Limits	Contribution Limits	RMD at 70 ½
Employer-sponsored plan			Payroll deductions only	None	\$18,000 \$24,000 \$36,000	Yes
Individual retirement account			Checking, savings, etc.	Yes	\$5,500 \$6,500	No

Contributions (tax credit)

Savers Tax Credit

You may be saying **“I can’t afford to save!”**. Consider the benefit of the Savers Tax Credit designed to help low-to-middle income earners save for their retirement.



You may be qualified to receive up to a \$1,000 credit against taxes owed if your adjusted gross income does not exceed limits shown here.

	2016
Filing jointly	\$61,500
Filing single	\$30,750
Filing Head of household	\$46,125

Contributions (employer match)



An employer match benefit of up to **\$75/month** is deposited to your selection of investments in the 401a on a pretax basis only.

The match applies to your pretax and/or post-tax 457 contributions.

Roll-ins

A **rollover** is a nontaxable transfer of your money from one retirement account to another. Outside retirement plan assets may be rolled into RIC at any time.

457 assets from
previous employers



Traditional/rollover IRA,
pretax 401k & 403b, etc.

Consider RIC benefits of penalty-free competitive fixed rate accounts, no-load/low-cost mutual funds, expert advisors, etc. for your outside retirement plan assets.

RIC participants enjoy control over

- Contributions/Roll-ins
- Investment mix
- Changes/Distributions
- Enrollment



Please note:

- Provider representatives are your best source of information about the investments being offered.
- The State of Iowa does not give investment advice.
- Examples used in this presentation are for illustrative purposes only.
- All investments involve some degree of risk; ask your providers what risk is associated with the investments in your portfolio.



Investments

Selection process

A public competitive bid* determines which providers will offer investment products and services.

Required minimum standards:

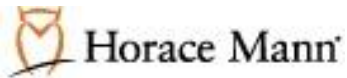
- Diversified, competitive funds
- Restriction and penalty-free investments
- Flexible distribution options
- 24/7 internet/phone account access
- Investment planning tools
- And more at low cost



* At least every 6 years

Investments

RIC Providers

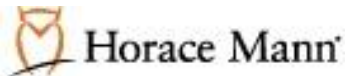


RIC investment providers give participants access to attractive investment options and services at low cost due to economies of scale.

Your contributions to provider products are put to work in the investment mix you choose with no sales charges, hidden fees, or surrender penalties.

Investments

RIC Providers



RIC providers offer 2 basic types of investments.

Fixed Rate



- Declared rate
- Guaranteed by provider
- Fixed period
- No market risk
- No restrictions/maturities
- No fees

Variable Rate

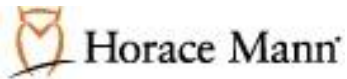


- “Mutual Funds”
- No guarantees
- Always liquid
- Degrees of market risk
- No restrictions/maturities
- Fund management fees

Total fee range - .04% - 1.28%.

Investments

RIC Providers



Fund Categories

Bond (Income)

Fixed Rate (safety)
Interm-Term High-
Quality Core Bond
High-Yield Bond
TIPS (Treasury Inflation-
Protected Securities)
Global Bond

Stock/Bond (Balanced)

Traditional Balanced
Lifecycle (target date)

Stock (Growth)

Large Capital Stock Index
Large Capital Value Stock
Large Capital Growth Stock
Mid-Capital Stock Index
Mid-Capital Value Stock
Mid-Capital Growth Stock
Small Capital Stock Index
Small Capital Value Stock
Small Capital Growth Stock
Total US Stock Mkt Index

International


Int'l Developed Mkts
Int'l Emerging Mkts
World

Alternative

Real Estate
Socially Responsible
Self-Directed Brokerage
Account (SDBA)

Investments

Access to provider websites, quarterly fund performance, advisor listings, fixed rates, etc. are easily accessed from the [RIC website](#).



Iowa Retirement Investors' Club (RIC)
457/401a Plans
Look forward to retirement!

RIC At-A-Glance

Fixed Rate

- Declared rate
- Guaranteed by provider
- Fixed period
- No market risk
- No restrictions/maturities
- No fees

Variable Rate

- "Mutual Funds"
- No guarantees
- Always liquid
- Degrees of market risk
- No restrictions/maturities
- Fund management fees


RIC Investment Options

There are 2 types of investments offered by RIC providers (see illustration to the right). This chart is designed to show the variety of investment categories available through each provider with more conservative fund options at the top.

Fund Categories	Horace Mann (877-602-1861)	MassMutual (800-528-9009)	VALIC (800-945-6763)	Voya (800-555-1970)
Fixed Rate	HM Grp Unallocated Fixed Interest Ann	MassMutual GIA	VALIC Fixed Interest Option	Voya Fixed Plus Account III / 457/401 II
Money Market	Vanguard Prime Money Mkt (Inv)		Vanguard Prime Money Mkt (Inv)	Voya Money Mkt Port (I)
Core Bond	Loomis Sayles Core Plus Bd (N)	JPMorgan Core Plus Bd (R6)	PIMCO Total Return (Inst'l)	Voya Intermediate Bd Portf (S)
Inflation Protect	Vanguard Total Bd Mkt Index (Adm)	Vanguard Total Bd Mkt Index (Adm)	Vanguard Total Bd Mkt Index (Adm)	Voya US Bd Index Portf (I)
High Yield	Van Infla Protected Securities (Adm)	PIMCO Real Return (Inst'l)	DFA Infla Protected Securities (Inst'l)	BlackRock Infla Protected Bd (Inst'l)
Foreign	Prudential High Yield Bd (Q)	Eaton Vance Income Fd of Boston (R6)	Invesco High Yield (R6)	Ivy High Income (Inst'l)
Trad'l Balanced	Amer Fds Capital World Bd (R6)			Templeton Global Bd (Adv)
Target Date	Vanguard STAR (Inv)	Amer Fds Amer Balanced (R6)	Amer Fds Amer Balanced (R6)	Amer Fds Amer Balanced R4
	Vanguard Target Retire Income (Inv)	BlackRock LifePath Index Retire (K)	Vanguard Target Retire Income (Inv)	Amer Fds 2010 Target Date Retire (R4)
	Vanguard Target Retire 2015 (Inv)	BlackRock LifePath Index 2020 (K)	Vanguard Target Retire 2015 (Inv)	Amer Fds 2015 Target Date Retire (R4)
	Vanguard Target Retire 2020 (Inv)	BlackRock LifePath Index 2025 (K)	Vanguard Target Retire 2020 (Inv)	Amer Fds 2020 Target Date Retire (R4)
	Vanguard Target Retire 2025 (Inv)	BlackRock LifePath Index 2030 (K)	Vanguard Target Retire 2025 (Inv)	Amer Fds 2025 Target Date Retire (R4)
	Vanguard Target Retire 2030 (Inv)	BlackRock LifePath Index 2035 (K)	Vanguard Target Retire 2030 (Inv)	Amer Fds 2030 Target Date Retire (R4)
	Vanguard Target Retire 2035 (Inv)	BlackRock LifePath Index 2040 (K)	Vanguard Target Retire 2035 (Inv)	Amer Fds 2035 Target Date Retire (R4)
	Vanguard Target Retire 2040 (Inv)	BlackRock LifePath Index 2045 (K)	Vanguard Target Retire 2040 (Inv)	Amer Fds 2040 Target Date Retire (R4)





















Providers and Investments

Each RIC core provider offers diversified investments, online account access, access to investment experts, and retirement planning tools. RIC providers have knowledgeable investment advisors to help you (at no additional cost) evaluate the investment options and determine an investment mix best suited for your savings goals and tolerance for risk. (There are no annual contract fees, M&E fees, or penalties for asset transfers between core providers or investments.)



Iowa Retirement Investors' Club (RIC)

Pre-Enroll Now!
State of Iowa Employees

Provider	Phone number	Website	Returns	Advisors	Info
 Horace Mann	877-602-1861				
 MassMutual	800-743-5274				
 VALIC	800-945-6763 / 620-875-3201				
 VOYA	800-555-1970 / 515-698-7973				

Quick Links

- [RIC At-A-Glance](#)
- [Investment Types](#)
- [Fixed rates](#)
- [Product Fees](#)
- [Provider Interview](#)
- [Brokerage Accounts](#)
- [Info for advisors only](#)

Investments

How do I invest?

Everyone is different. Your investment mix and potential for earnings largely depends on your:

- Risk tolerance
- Timeframe for investment

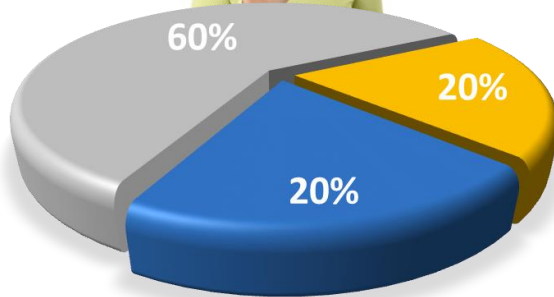
Providers can help you establish your investment style.

Depending on the type of investor you are, your portfolio may look something like this...



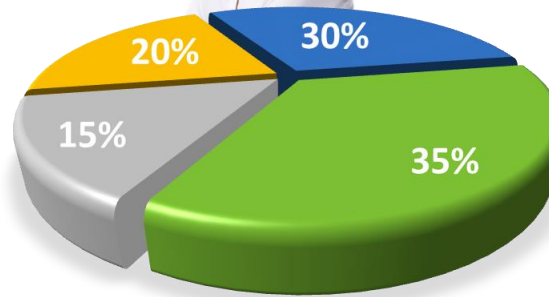
Investments (investor styles)

Conservative investor



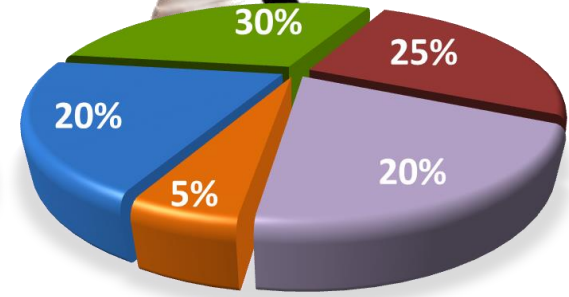
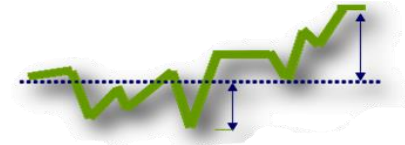
- Fixed Rate
- Fixed Income (short-term)
- Balanced Funds

Moderate investor



- Fixed Rate
- Fixed Income (intermediate-term)
- Balanced Funds
- Large Co Stock Funds

Aggressive investor



- Balanced Funds
- Stock Blend Funds
- Mid-Small Company Stock Funds
- International Funds
- Sector Funds

Investments (investor styles)

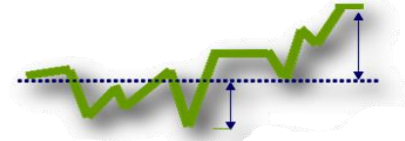
Conservative investor



Moderate investor



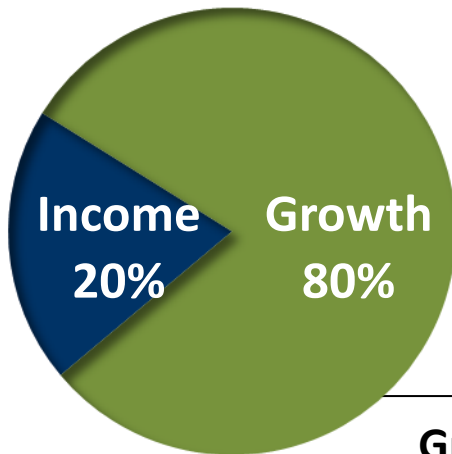
Aggressive investor



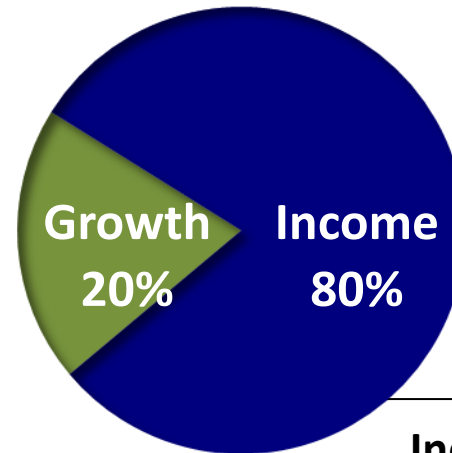
Risk tolerance and savings goals will likely change over time-your portfolio should too. Ask an advisor to help.

Investments (asset allocation)

It's important to review your investment mix periodically so changes can be made if necessary.



Growth portfolio

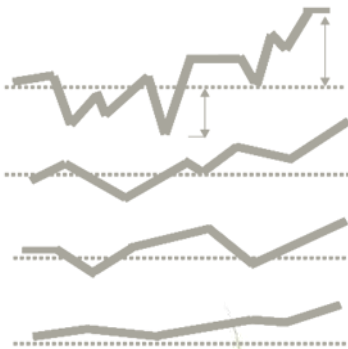


Income portfolio

Investments

Don't hesitate to ask questions. Provider representatives have investment knowledge that will help you make informed decisions.

What kind of *risk* am I taking?



Will this enhance my *nest egg*?

Money markets/savings
IRAs CDs
Savings bonds
Annuities/life insurance
Real Estate
Spouse's 401(k)
Stocks/bonds
Outside mutual funds



RIC participants enjoy control over

- Contributions/Roll-ins
- Investment mix
- **Changes/Distributions**
- Enrollment



Changes

Your RIC 457/401a plans are very *flexible*!

At any time you may make changes to your:

- Payroll deduction amount
- Investments
- Address/name/beneficiary
- Investment advisor
- Provider
- Distributions options at retirement

**Submit to RIC
or your PA**


**Contact your
provider**



Changes (payroll deductions)

Payroll deduction change requests are made by completing the *RIC Account Form* and submitting it to your personnel assistant or the RIC office.

The form is available on the RIC website and may be submitted electronically, by email, by fax, or US mail.

 Retirement Investors' Club
(RIC) 457/401a Plans
Look forward to retirement!

RIC Account Form

Personal Information

Name: _____ Social Security #: _____
Last First MI Existing accounts use last 4 digits only

Birth Date: _____ Agency/Dept: _____ Employee ID #: _____
Required for electronic submission only

Address: _____ City: _____ State: _____ Zip: _____

Phone (work): _____ Phone (home): _____ Phone (mobile): _____

457 Payroll Deduction

Changes effect the 1st available check of the month following receipt of this form unless a later date is indicated.

	Pretax	Roth (post-tax)	Deduction frequency
Horace Mann	\$ _____ /Check	\$ _____ /Check	<input type="checkbox"/> 12 checks/yr - <input type="checkbox"/> 1 st or <input type="checkbox"/> 2 nd check
MassMutual	\$ _____ /Check	\$ _____ /Check	<input type="checkbox"/> 24 checks/yr
VALIC	\$ _____ /Check	\$ _____ /Check	<input type="checkbox"/> 26 checks/yr (all checks)
Voya	\$ _____ /Check	\$ _____ /Check	Alternative effective date (if desired)
Inactive Prov Exception	\$ _____ /Check	\$ _____ /Check	<input type="checkbox"/> Begin (check date)
			<input type="checkbox"/> End (check date)
			<input type="checkbox"/> Final check (check date)

Provider Changes

You must have an established account with the receiving provider.

Please transfer: ☐ 100% From: ☐ Horace Mann ☐ TIAA-CREF ☐ VALIC ☐ Voya

Stop contributions to: ☐ Horace Mann ☐ MassMutual ☐ VALIC ☐ Voya

Redirect contributions to: ☐ Horace Mann ☐ MassMutual ☐ VALIC ☐ Voya


Participant Signature

I authorize my employer to direct my contributions and make payroll deductions as indicated above. I understand and agree to the terms and conditions of the Iowa Retirement Investors' Club (RIC). I have access to a RIC At-A-Glance and Plan Document. I have established 457 and 401a accounts with one of the RIC providers. I understand that withdrawals may only be made upon termination of employment or qualification for an in-service distribution. I understand that the total of all 457 contributions made in the calendar year may not exceed the federal limits as required by the Internal Revenue Code section 457b.

X _____ Date _____
Participant Signature

Form Submission

Electronic submission FOR EXISTING ACCOUNTS ONLY. Include your name, the last four digits of your SSN, and employee ID# (no signature required). There are 2 ways to submit this form electronically.


- Click on the Submit button 
- Scan/email this form to: terri.marshall@iowa.gov

Fax to: 515-281-5102
Mail to: DAS-IRE, Attn: RIC
1305 E Walnut / Des Moines, IA 50319

Agent Use Only (Not required for existing accounts or online provider enrollment if available)


I am authorized to open accounts for this employee and verify that he/she has established 457/401a accounts with the active provider shown below.

Print Agent Name	Agent Signature	Agent Phone Number	Provider Name	Date
Received by RIC				
Payroll Office				
RIC Use Only				
Date Received: _____		Date Pended: _____		
Paycheck Effective Date: _____		Entered: _____		
Name: _____		Checked: _____		

 Visit the RIC website at <https://das.iowa.gov/RIC> to access the RIC At-A-Glance (under Providers & Investments), IRS maximum contribution limits, and other plan options specific to the State of Iowa 457/401a plans.

CPN 552-0317
Revised 12/04/15

Iowa Retirement Investors' Club (RIC) • 866-460-4692 • <https://das.iowa.gov/RIC>



[Print](#) [Reset](#)

Changes (investment mix)

You may transfer* assets to new investments or simply redirect future contributions.

Original mix:

Fixed rate account	20%
S&P 500 fund	50%
Small co fund	20%
International fund	10%



New mix:

Fixed rate account	50%
Balanced fund	50%

Investments may be changed online, by phone, or with help from your advisor without fees.

* Short-term trading restrictions may apply

Distributions

A **distribution** refers to the withdrawal of assets from your employer-sponsored 457/401a plans.



A “distributable event” must occur to be eligible.

- Unforeseeable emergency
- Cash out (small inactive accounts)
- Age 70 ½
- Separation from employment



Distributions

Unforeseeable Emergency Withdrawal

If you experience a financial hardship, you may qualify to receive an in-service distribution.

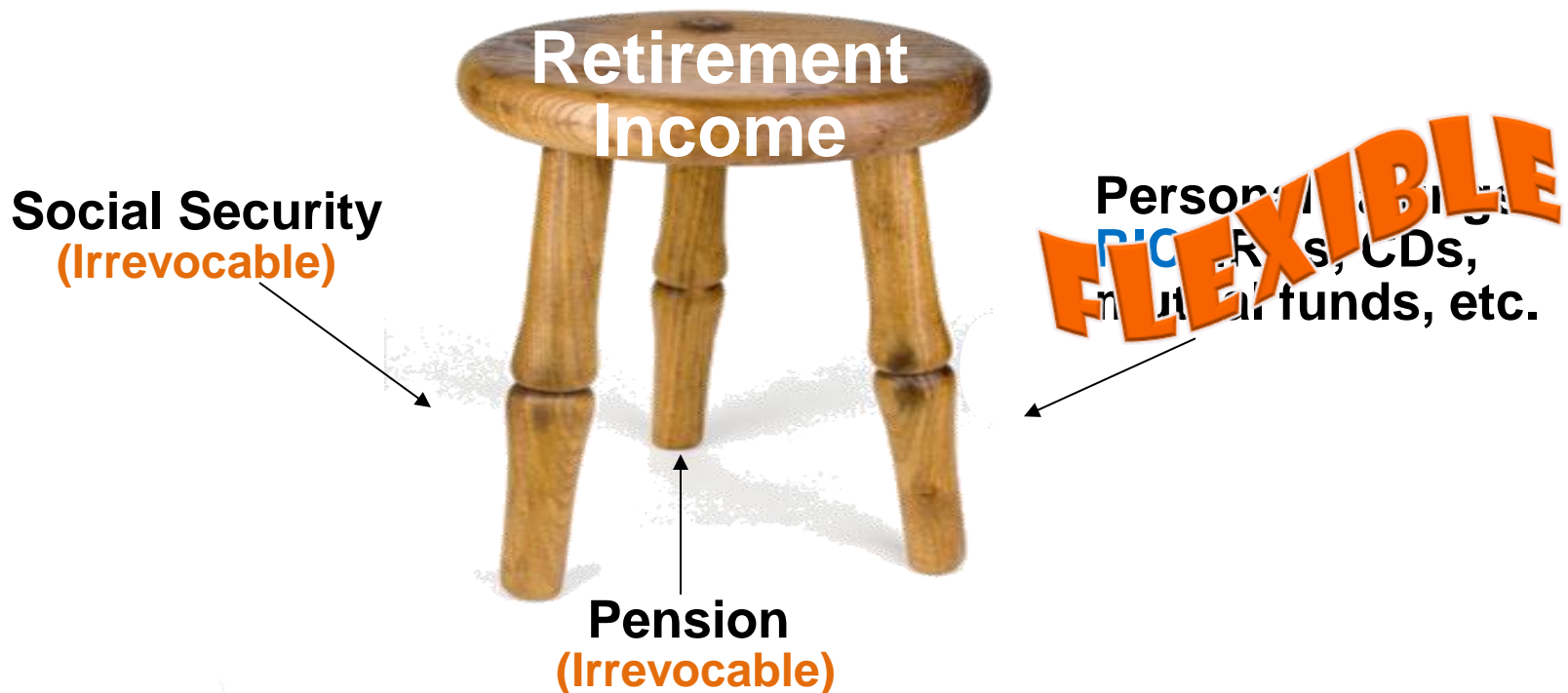
- Strict federal guidelines
- 457 assets only
- Not available for bankruptcy or divorce
- May be available for:
 - Funeral expenses (legal dependent)
 - Foreclosure of or eviction from residence
 - Loss of spouse's wages
 - Uninsured medical expenses & related lost wages



Distributions

In retirement

Social security and pension benefits are irrevocable.



Distributions

At separation from employment

- Leave assets invested*
- Take taxable distributions
 - Lump sums (total or partial)
 - Flexible periodic payments
 - Lifetime payments
 - Any combination
- Purchase IPERS credits (pretax 457 & 401a assets)
- Roll to an IRA or employer plan

*IRS minimum distributions must begin at age 70 ½ or retirement, whichever is later.

Distributions (taxes)



Taxable distributions - taxed as ordinary income and reported on IRS 1099R.

Mandatory withholding - minimum income tax withholding of 20% federal and 5% state*

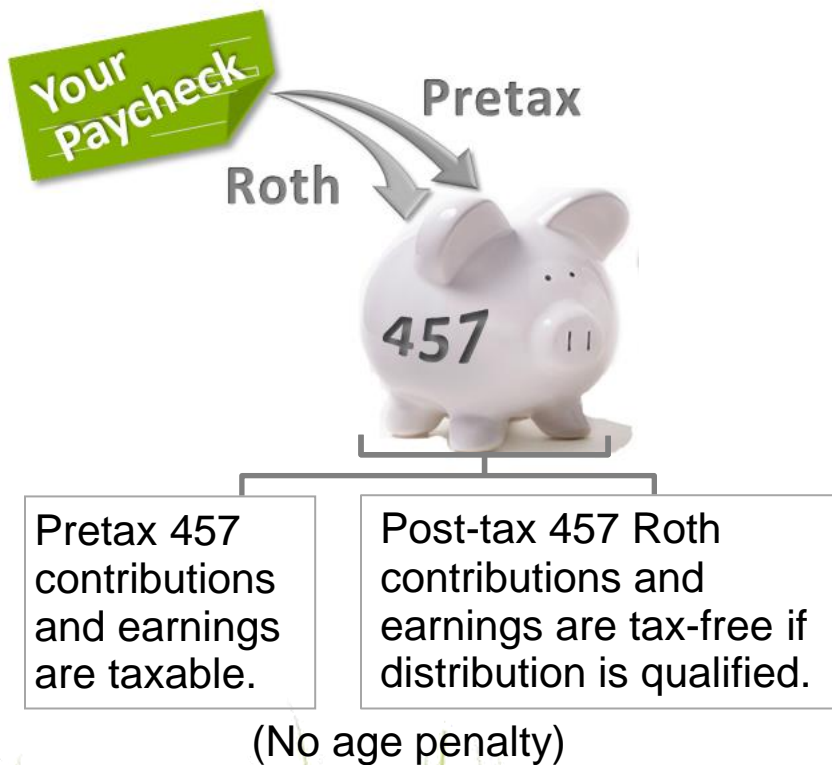


Tax treatment of distributions differs depending on the taxation of contributions.

* Exceptions on request: Age 70 ½⁺; annuitization; irrevocable equal payments for 10⁺ years; reside outside of Iowa (Iowa tax exemption)

Distributions (taxes)

Tax treatment of distributions differs depending on the taxation of contributions.



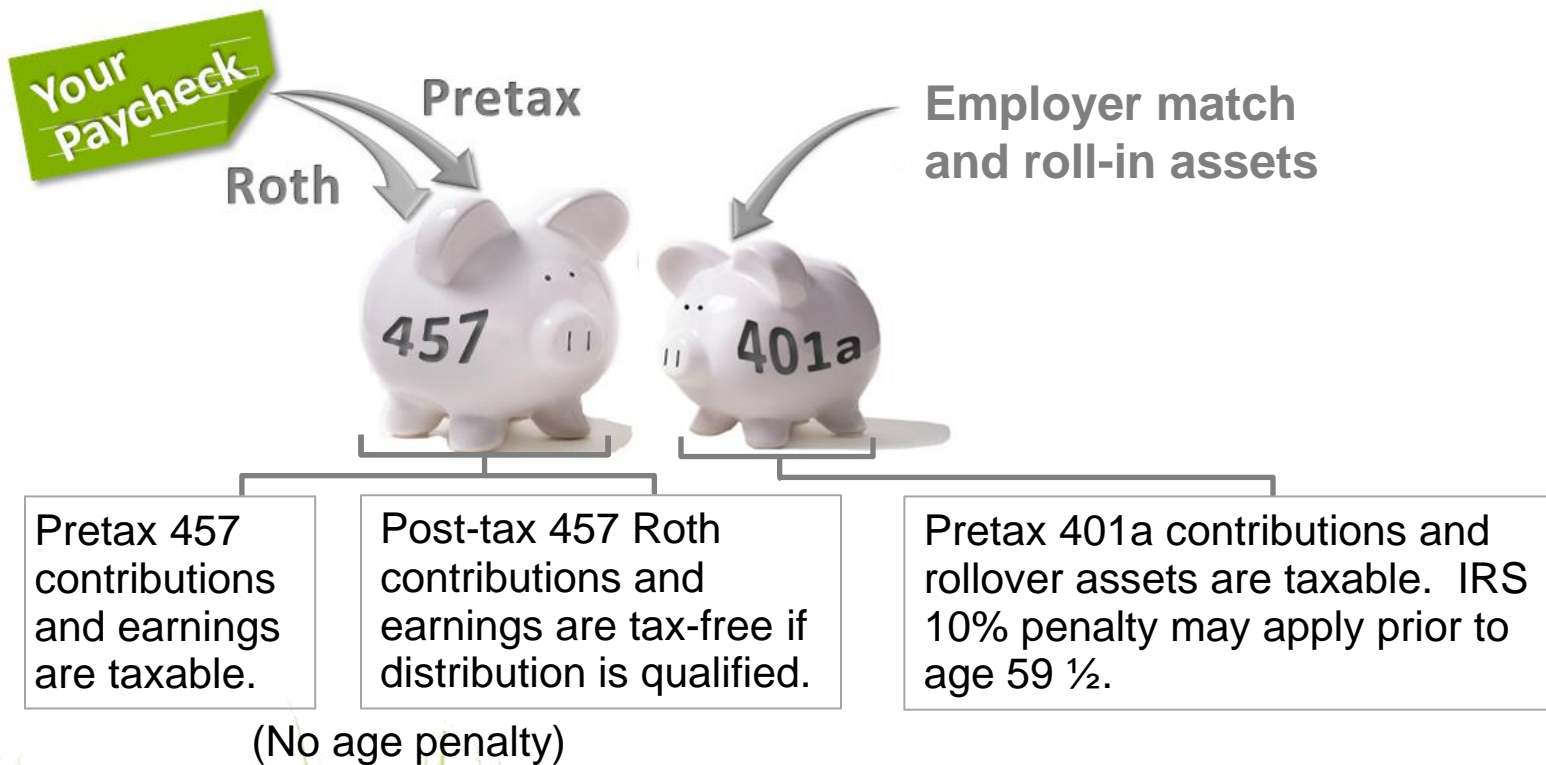
Qualified distribution:

- A distributable event has occurred (leave employment, turn age 70½, qualify for cash out);
- Roth account has been open for 5+ years; and
- You are age 59 ½+ or disabled

Non-qualified Roth distributions are subject to taxation on the earnings portion of the distributed amount.

Distributions (taxes)

Tax treatment of distributions differs depending on the taxation of contributions.



RIC participants enjoy control over

- Contributions/Roll-ins
- Investment mix
- Changes/Distributions
- **Enrollment**





Take charge of your future

TIME IS MONEY



Time is money

Beth age 21

begins to
contribute
\$3,000/yr



Beth age 36

stops saving (total
contributions \$45,000
over 15 years)



Average 8% earnings rate

Stuart age 36

begins to contribute
\$3,000/yr



Stuart age 65

stops saving (total of
\$87,000 over 29 years)

Beth's savings at age 65

\$885,241



\$367,038

Stuart's
retirement
savings at
age 65



Enrollment

Enrollment is year-round.
But waiting even 1 year to save
can hurt you.



Starting age	Savings amount	Results at age 65
35	\$1,000 per year	\$122,356
36	\$1,000 per year	\$112,283
Cost of waiting 1 year =		\$10,073

Saving early is saving smarter!

Assumes average 8% earnings rate

Enrollment

STEP 1- Choose a provider



VALID
Which provider is best?!

Enrollment

STEP 1- Choose a provider

Keep in mind... RIC Core providers meet bid standards and annual investment review requirements. Each offers:

- ***Guaranteed rate accounts*** (no fees or maturities)
- ***Low cost mutual funds*** including, target date funds, index funds, SDBA accounts
- ***Investment planning tools***
- ***Investment advisors*** (some local options)
- ***Online access*** to accounts and educational information



Enrollment

STEP 1- Choose a provider

To help you choose, you may:



Talk to participating co-workers.



Call the provider or review their website to get a feel for their services.



Investment Provider Interview
The following questions may help you gather information and understand the products and services offered by an investment provider. Do not hesitate to ask the provider for more explanation if you are not completely comfortable with the answers.

Question	Answer
Address: Can someone help me determine appropriate investment options?	
Education: What level of education do you provide about your products and services?	
Account access: How do I access my account information (Internet, telephone, etc.)?	
Service issues: If I have a service issue, who do I call?	
Periodic review: Do I have the opportunity to periodically review my investments with my investment agent?	

Utilize the [Investment Provider Interview](#) to ask a provider questions.



Enrollment

STEP 1-

Choose a provider

STEP 2-

**Complete provider forms
& RIC Salary Reduction Form
and process as instructed**

- Meet with an advisor* (no cost)
- Use the [Pre-enroll Now!](#) option
- Access forms online (if available)
- Request a kit by mail



*Many independent advisors can represent at least one RIC provider.

Enrollment



Providers are available to answer questions and set appointments to help you get your RIC accounts open.

Establish your new RIC accounts as soon as possible to begin taking advantage of the many great benefits.

 Horace Mann	877-602-1861
 MassMutual FINANCIAL GROUP [®]	800-743-5274
 VALIC	800-945-6763
 VOYA FINANCIAL [™]	800-555-1970

Ask yourself...

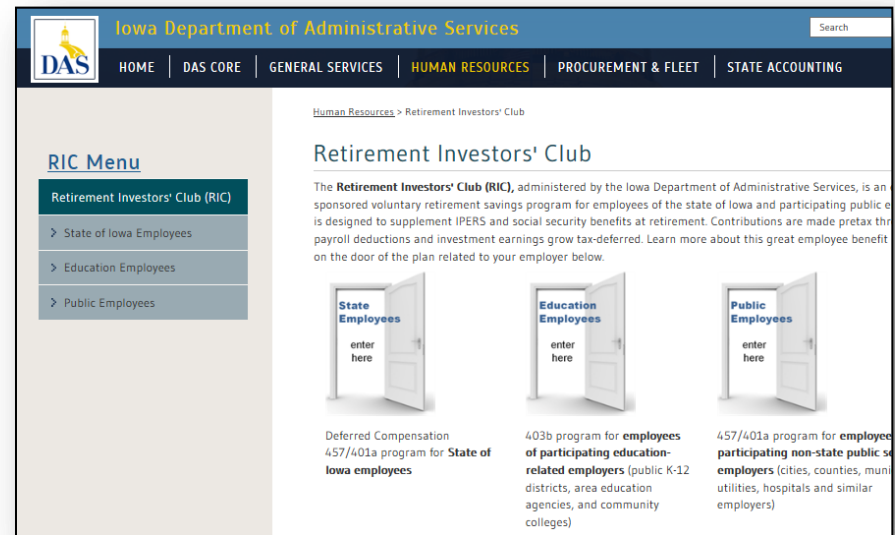


Which retirement door will
your savings unlock when you get there?



Resources

- Call your provider if you have questions about your statements or the investments in your account
- Access your account online (your provider's welcome letter includes your PIN- save it for your records!)
- Visit the RIC website at <https://das.iowa.gov/RIC>
- Robbie Stoecker
515-242-6846
robbie.stoecker@iowa.gov



**Thank you for taking your time
to listen and
look forward to retirement!**

